

Message Text

UNCLASSIFIED

PAGE 01 TOKYO 03612 01 OF 02 101008Z

11

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-07

NSC-05 CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 AGR-10 PA-02 PRS-01 /115 W

----- 068701

R 100915Z MAR 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 7577

DEPARTMENT OF TREASURY WASHDC

INFO AMEMBASSY ROME

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 TOKYO 3612

PASS FEDERAL RESERVE, LABOR AND EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - WEEK OF MAR 4-10

1. SUMMARY: RELEASE OF PROVISIONAL 4TH QUARTER GNP STATISTICS LAST WEEK CONFIRM EMBASSY'S PREVIOUS REPORTING THAT DEMAND AND ECONOMIC RECOVERY STALLED IN THE 4TH QUARTER. ON DEMAND SIDE, THAT PATTERN APPEARS TO BE CONTINUING IN THE FIRST QUARTER OF 1976 ON THE BASIS OF AVAILABLE BUT FRAGMENTARY MONTHLY DATA. ON THE OTHER HAND, STATISTICS ON PRODUCTION, LABOR DEMAND AND BUSINESS SURVEYS SUGGEST SOME PICKUP IN RECOVERY PACE MAY BE GETTING UNDER WAY.

2. RELEASE OF PROVISIONAL 4TH QUARTER GNP FIGURES LAST WEEK CONFIRM EMBASSY'S PREVIOUS REPORTING THAT ECONOMIC RECOVERY STALLED IN THE 4TH QUARTER. ADVANCE IN REAL UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TOKYO 03612 01 OF 02 101008Z

GNP SLOWED TO ONLY 0.4 PERCENT (S.A.) IN 4TH QUARTER

COMPARED WITH AVERAGE INCREASES OF 1 PERCENT IN BOTH 2ND AND 3RD QUARTERS. FINAL DOMESTIC DEMAND IN FACT DECLINED AS SHOWN IN THE ATTACHED TABLE. ADVANCE IN PRIVATE DEMAND HAS PROGRESSIVELY WEAKENED THROUGHOUT THE YEAR. GOVT DEMAND WHICH HAD BEEN BOOSTED DURING EARLY MONTHS OF 1975 BY MEASURES TO RESTIMULATE ECONOMY ALSO HAD PROGRESSIVELY WEAKER IMPACT. IN FACT, IN 4TH QUARTER, DESPITE MUCH HERALDED PHASE IV RECOVERY PROGRAM AND SUPPLEMENTAL BUDGET, INCREASE IN GOVT SECTOR SPENDING WAS A MERE 0.4 PERCENT IN COMPARISON WITH AVERAGE INCREASES OF 1.5 PERCENT IN TWO PREVIOUS QUARTERS. DESPITE THIS WEAKNESS OF INTERNAL DEMAND, GNP MADE POSITIVE ADVANCE AS A RESULT OF VERY STRONG PICKUP IN EXPORT VOLUME. THIS DEMAND PATTERN APPEARS TO BE CONTINUING IN THE 1ST QUARTER OF 1976, ON THE BASIS OF AVAILABLE BUT FRAGMENTARY MONTHLY DATA.

REAL GNP AND COMPONENTS, 1975 (S.A.)

PERCENT CHANGE FOR PREVIOUS QUARTER

	II	III	IV		
FINAL DOMESTIC DEMAND	1.7	1.1	0.7	-0.3	
PVT. DEMAND (80 PCT)	1.1	1.0	0.5	-0.4	
GOVT DEMAND (20 PCT)	4.2	1.2	1.8	0.4	
CHANGE IN INVENTORIES(1)	-2.2	-0.1	0.7	-0.2	
NET EXTERNAL SURPLUS(1)	0.4	0.1	-0.5	0.9	
GNP	-0.3	1.1	0.9	0.4	
GNP DEFLATOR	0.3	2.2	0.9	1.6	
NOMINAL GNP	0.0	3.3	1.7	2.0	

(1) CHANGES IN INVENTORY INVESTMENT OR NET EXTERNAL SURPLUSES AS PERCENT OF GNP IN PREVIOUS QUARTER.

3. FEB NEW CAR REGISTRATIONS ROSE 3.5 PERCENT ON S.A. BASIS, THE FIRST MONTHLY INCREASE SINCE OCT. AUTO SALES (S.A.) FELL 32.5 PERCENT BETWEEN OCT 75 AND JAN 76 IN APPARENT RESPONSE TO HIGHER EFFECTIVE PRICES CAUSED BY ANTI-POLLUTION TAXES AS WELL AS THE GENERAL SOFTENING OF FINAL DEMAND. FEB 76 AUTO REGISTRATIONS WERE ABOUT 25 PERCENT BELOW YEAR EARLIER LEVEL.

UNADJUSTED SEASONALLY PCT. CH. FROM
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TOKYO 03612 01 OF 02 101008Z

ADJUSTED

	(1,000 CARS)	(1,000 CARS)	PRIOR MONTH
DEC	235.6	188.1	- 22.2
JAN	117.1	176.5	- 6.1
FEB	162.6	182.7	3.5

4. NEW CONSTRUCTION ORDERS CONTINUED TO DECLINE IN JAN. NEW ORDERS FOR GOVT/PUBLIC CONSTRUCTION WORK

(JEI 324) FELL 5.5 PERCENT FROM EC 75 LEVEL (S.A.).

DECLINES STRENGTHENED IMPRESSION THAT GOJ HAS HAD TROUBLE TRANSLATING "PHASEFOUR" ECONOMIC RECOVERY PACKAGE OF LAST AUTUMN INTO A SIGNIFICANT INCREASE IN GOVT SPENDING. NEW ORDERS FOR PRIVATE CONSTRUCTION (JEI 325) DECLINED 4.6 PERCENT IN JAN, TO A LEVEL ALMOST 30PERCENT BELOW THAT PREVAILING IN THE FIRST QUARTER OF 1975.

NEW CONSTRUCTION ORDERS, SEASONALLY ADJUSTED

(BIL YEN; PCT. CH. FROM PRIOR MO. IN PAREN)

	GOVT/PUBLIC	PRIVATE
NOV	227.8 (QWMRL	236.1 (YMIL
DEC	223.4 (-1.9)	232.5 (-1.5)
JAN	211.1 (-5.5)	221.9 (-4.6)

5. LABOR MARKET CONDITIONS BRIGHTENED SOMEWHAT IN JAN. UNEMPLOYMENT RATE (JEI 379) AND NUMBER OF WHOLLY UNEMPLOYED WORKERS (JEI 378) DECLINED ON SEASONALLY ADJUSTED BASIS, ALTHOUGH LATTER FIGURE STAYED ABOVE ONE MILLION LEVEL. RATIO OF JOB OFFERS TO JOB APPLICANTS (JEI 385) ROSE SHARPLY IN JAN TO REACH HIGHEST LEVEL IN 6 MONTHS.

	JOB OFFERS JOB APPLICANTS RATIO, SA	UNEMPLOYED, S.A. (1,000) (RATE)
NOV	0.52	1,140 2.16
DEC	0.53	1,140 2.14
JAN	0.59	1,100 2.06

6. JAN INDEX OF OVERTIME WORKED IN MANUFACTURING (JEI 401)) ROSE 4.0 PERCENT ON SEASONALLY ADJUSTED BASIS. SHARP RISE FROM PROR MONTH FOR THIS ITEM, CONSIDERED A LEADING INDICATOR OF INDUSTRIAL ACTIVITY HERE, MAY SIGNAL NEW PICKUP IN SOME MANUFACTURING SECTORS. UNIT LABOR COSTS (JEI 421) ROSE 1.9 PERCENT IN JAN, INDICATING THAT UNCLASSIFIED

UNCLASSIFIED

PAGE 04 TOKYO 03612 01 OF 02 101008Z

RECENT RISE IN MANUFACTURING PRODUCTION HAS NOT INCREASED PRODUCTIVITY ENOUGH TO OFFSET RISING HOURLY WAGES.

OVERTIME IN MANUFACTURING AND UNIT LABOR COST, S.A.

(1970-100; PCT. CH. FROM PRIOR MONTH IN PAREN)

	OVERTIME	UNIT LABOR COST
NOV	51.6 (1.8)	196.2 (2.9)
DEC	52.8 (2.3)	196.9 (PMRL
JAN	54.9 (4.0)	200.7 (1.9)

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 TOKYO 03612 02 OF 02 101054Z

21

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-07

NSC-05 CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 AGR-10 PA-02 PRS-01 /115 W
----- 069112

R 100915Z MAR 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 7578

DEPARTMENT OF TREASURY WASHDC

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION OECD PARIS

UNCLAS SECTION 2 OF 2 TOKYO 3612

7. RECENT BUSINESS INVESTMENT SURVEYS INDICATE PLANT AND EQUIPMENT SPENDING DURING JFY 76 WILL BE ABOUT 10 PERCENT HIGHER IN NOMINAL TERMS THAN FOR THE CURRENT FISCAL YEAR (END MAR 31). IN REAL TERMS THIS WOULD MEAN NO INCREASE IN PLANT AND EQUIPMENT INVESTMENT. SURVEY BY JAPAN DEVELOPMENT BANK SHOWS PLANT AND EQUIPMENT INVESTMENT INCREASING 9.9 PERCENT ON CONSTRUCTION BASIS IN JFY 76, WITH 24.5 PERCENT INCREASE FOR NON-MANUFACTURING SECTOR AND 2.1 PERCENT DECLINE FOR MANUFACTURING SECTOR. SIMILAR SURVEY BY NIHON KEIZAI SHIMBUN INDICATES 10.3 PERCENT INCREASE FOR INVESTMENT BY ALL INDUSTRIES IN COMING FISCAL YEAR. PRINCIPAL CONTRIBUTORS TO INCREASED INVESTMENT WILL BE ELECTRIC POWER AND STEEL INDUSTRIES. JDB SURVEY FORECASTS INCREASE IN INVESTMENT FOR PLANT AND EQUIPMENT BY STEEL INDUSTRY WILL BE 24.5 PERCENT WITH 37.6 PERCENT INCREASE FOR ELECTRIC POWER INDUSTRY. IF THESE TWO INDUSTRIES ARE EXCLUDED, PLANT AND EQUIPMENT INVESTMENT BY ALL OTHER INDUSTRIES IN JFY 76 IS EXPECTED

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TOKYO 03612 02 OF 02 101054Z

TO SHOW 4.3 PERCENT DECLINE, ACCORDING TO JDB SURVEY.
 FOLLOWING TABLE SHOWS PERCENT INCREASE IN PLANT AND
 EQUIPMENT INVESTMENT IN PRINCIPAL SECTORS DURING JFY 76
 ACCORDING TO JDB SURVEY RESULTS.

	PCT. INCREASE (JFY 76/JFY 75) (PERCENT)	SHARE OF TOTAL
ALL INDUSTRIES	9.9	100.0
MANUFACTURING	-2.1	49.1
STEEL	24.5	18.6
CHEMICALS	-19.5	7.1
TRANSPORT EQUIP.	-1.3	5.0
NON-MANUFACTURING	24.5	50.9
ELECTRIC POWER	37.6	28.3
TRANSPORT, COM- MUNICATIONS	-3.0	6.8

8. OUTLOOK FOR CORPORATE PROFITS IS FINALLY BRIGHTENING
 AND RECENT SURVEYS CONFIRM PREVIOUS REPORT OF RECOVERY IN
 BUSINESS LIQUIDITY (TOKYO 2798, PARA 5). BANK OF JAPAN'S
 FEB SURVEY ("SHORT-TERM ECONOMIC SURVEY OF PRINCIPAL
 ENTERPRISES IN JAPAN") COVERED 507 LEADING ENTERPRISES
 (REPRESENTING 80 PERCENT OF TOTAL SALES BY CORPORATIONS
 WITH CAPITAL OF ONE BIL YEN OR MORE. THAT SURVEY PROJECTS
 PRODUCTION WILL RISE DURING CURRENT JAN-MAR QUARTER BY
 4.5 PERCENT (S.A) AND SALES OF REPORTING MANUFACTURING
 ENTERPRISES BY 5.2 PERCENT (S.A), EVEN LARGER INCREASE
 IN PRODUCTION AND SALES ARE PROJECTED FOR APR-JUNE QUARTER.
 INVENTORY RATIO OF FINISHED GOODS WILL CONTINUE TO DECLINE
 TO 0.93 MONTHS BY MARCH THIS YEAR FROM PEAK 1.05 MOS
 REGISTERED ONE YEAR AGO. ORDINARY PROFITS OF REPORTING
 MANUFACTURING CORPORATIONS WILL MORE THAN DOUBLE DURING
 SEMI-ANNUAL ACCOUNTING PERIOD ENDING IN MARCH 1976,
 FOLLOWING FOUR CONSECUTIVE PERIODS OF DECLINE. DESPITE
 SHARP IMPROVEMENT, LEVEL OF PROFITS WILL REMAIN HISTORICALLY
 LOW. ORDINARY PROFITS DURING OCT 75-MAR 76 PERIOD WILL
 STILL BE 30 PERCENT LESS THAN PROFITS REGISTERED DURING
 PREVIOUS RECESSION PERIOD ENDING IN MAR 72. WITH PROFITS
 PICKING UP, BORROWING FROM FINANCIAL INSTITUTIONS HAS EASED
 SUBSTANTIALLY AND BUSINESS CIRCLES PREDICT CREDIT
 AVAILABILITY WILL ACCELERATE UNTIL JUNE. LIQUIDITY
 UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TOKYO 03612 02 OF 02 101054Z

POSITION (RATIO OF CASH, DEPOSITS, AND SHORT-TERM
 SECURITIES HOLDINGS AGAINST AVERAGE MONTHLY SALES) OF LARGE
 MANUFACTURING FIRMS HAS RISEN SHARPLY TO REACH 1.81 IN
 DEC 75 FROM THE BOTTOM OF 1.46 RECORDED IN DEC 74, BUT
 REMAINED FAR BELOW PEAK OF 2.18 REGISTERED IN MAR 72.
 SURVEYS OF SMALL AND MEDIUM-SIZED ENTERPRISES ALSO

INDICATE UPTURN IN THEIR SALES DURING COMING MONTHS.
DEPUTY PRIME MINISTER FUKUDA SAID CORPORATE PROFITS WILL
TRN UPWARD DURING APR-SEP PERIOD T HKOHSV
UWB
SHOESMITH

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GNP, ECONOMIC RECOVERY, INDUSTRIAL DEVELOPMENT, DATA, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TOKYO03612
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760090-0698
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760374/aaaacmwu.tel
Line Count: 282
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 26 AUG 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 AUG 2004 by meiwc>; APPROVED <09 DEC 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL AND ECONOMIC DEVELOPMENTS - WEEK OF MAR 4-10
TAGS: EFIN, JA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006